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6/6/02

AGENDA ID #673

WATER/DON/RAJ: jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Water Branch

RESOLUTION NO. W-4335  
June 6, 2002

**R E S O L U T I O N**

**(RES. W-4335), BAKMAN WATER COMPANY, INC., (BWC).  
ORDER AUTHORIZING (1) AN OFFSET INCREASE IN RATES  
PRODUCING ADDITIONAL REVENUE OF \$62,522 OR 7.96%  
TO RECOVER INCREASED PURCHASED POWER COSTS,  
AND (2) A SURCHARGE TO RECOVER AN  
UNDERCOLLECTION OF \$63,469 IN ITS PURCHASED POWER  
BALANCING ACCOUNT FOR AN OVERALL ANNUAL  
INCREASE IN REVENUE OF \$125,991 OR 16.03%.**

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**SUMMARY**

By Advice Letter 55-W, and Supplemental 55-W-A, filed January 17, 2002 and February 2, 2002, respectively, BWC seeks to increase rates by \$56,216 to offset increases of purchased power and by \$172,220 to recover an undercollection in its purchased power balancing account through December, 2001, for an overall annual increase of \$228,437 or 29.1%. This resolution authorizes an offset increase of \$62,522 to recover the increase in power costs and a surcharge of \$7.02 per customer for five months to recover an undercollection of \$63,469 in the purchased power balancing account through November 29, 2001, for an overall annual increase of \$125,991 or 16.03%. The increase will not result in a rate of return greater than last authorized for BWC.

**BACKGROUND**

Pursuant to Commission Decision (D.) 01-03-082, Southern California Edison and Pacific Gas & Electric Company (PG&E) were granted rate surcharges of \$0.03 and \$0.01 per kilowatt-hour due to the recent increase in wholesale electricity costs. As a result of the increases granted to PG&E, BWC requests authority

under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to adjust rates to offset the increase in its purchased power costs.

BWC seeks to raise its revenue requirement by \$228,437 or 29.1% annually to recover increased power costs and amortize an undercollection balance in its purchased power balancing account. The requested increase consists of \$56,216 to offset the increased purchased power costs and \$172,221 to recover the undercollection in its purchased power balancing account as of December 31, 2001. A review of BWC's request by the Water Division staff (Division) indicated that the utility's estimate of the undercollection in its purchased power balancing account, as of December 31, 2001, was \$71,758. Notwithstanding the advice letter reference to \$172,221 to recover the purchased power undercollection, BWC's actual request is only for \$71,758. BWC is requesting recovery of the \$71,758 over a five-month period. The \$172,221 represents the revenue that would be collected if the increase to recover the \$71,758 over a five-month period were extended for the entire year. Although there is the mathematical relationship between the two numbers, as described above, the reference to \$172,221 has no relevance whatsoever in this case. In view of this, BWC's requested increase in revenue to recover the undercollection in its purchased power balancing account will be described as \$71,758 to be recovered over five months with out any further reference to the \$172,221. BWC proposes to increase its rates by increasing its metered rate schedules and flat rate schedules to recover both the annual power offset of \$56,216 and the undercollection in the purchased power balancing account of \$71,758 (to be recovered over five months) simultaneously. After five months, BWC proposes to decrease rates by the amount that produced the additional \$71,758 to recover the undercollection of the purchased power balancing account leaving the ongoing rate increase of \$56,216 or 7.2% to offset PG&E's surcharge increases.

### **NOTICE AND PROTESTS**

Notice of the proposed rate increase was mailed to the individual customers on February 25, 2002. The Water Division did not receive any letters objecting to the rate increase.

**DISCUSSION**

Res. W-4310, dated January 9, 2002, authorized BWC a general rate case (GRC) increase producing additional annual revenue of \$66,913 or 9.13%. As indicated in Res. W-4310, the Water Division Staff (Division) determined that BWC should be entitled to recovery of an additional \$103,347 in revenue over and above what was currently allowed in rates to cover increased purchased power costs.

Because the total increase authorized in Res. W-4310 was limited to the amount of the rate increase requested, only \$53,083 of the \$103,347 of the purchased power costs was authorized in GRC rates. The Division recommended that BWC file, immediately, for recovery of the remaining \$50,264. Subsequent to the issuance of Res. W-4310, Division discovered an error in the adopted purchased power quantities authorized in the resolution. As a result of the error, the amount of additional revenue necessary to offset the increase in power costs should have been \$115,625 instead of \$103,347. With this correction, the amount of increase remaining after \$53,083 was authorized in Res. W-4310 is \$62,522 instead of \$50,264. BWC also made an error in calculating the offset, basing it on recorded rather than adopted quantities. This resolution authorizes an offset increase of \$62,522.

The increase is directly related to water consumption and should be applied to quantity rates. BWC, however, is primarily a flat rate system (over 97% of its customers are on flat rates). In view of this, Division recommends that the offset increase be apportioned between flat and metered rate customers based on the percentage of revenue currently authorized for each of the two types of service. The increase for the flat rate customers is then to be spread evenly to each customer while the increase to the metered customers is assessed entirely to the quantity rate.

In addition to a power cost offset increase, BWC requests to recover an undercollection of \$71,758 in its purchased power balancing account as of December 31, 2001. The Division did its own analysis of BWC's purchased power balancing account and determined that an undercollection of \$63,469, including interest, existed as of November 29, 2001. On November 29, 2001, the Commission issued Res. W-4294. Ordering paragraphs 1, 2, and 3 of Res. W-4294 are as follows:

1. The Director of the Water Division prepare for Commission review, an appropriate Order Instituting Rulemaking (OIR) to evaluate existing practices and policies and determine whether new procedures or policies for processing offset rate increases and balancing accounts should be made and further, to determine whether offsettable expenses and balancing account guidelines should be made permanent, unless changes by later order of the Commission.
2. All water companies with existing balancing accounts shall, effective the date of this resolution, suspend those balancing accounts and start a new and separate balancing-type memorandum account, (or in the alternative, or in a memorandum account as specifically ordered below), for each offsettable expense of purchased water, purchased power or pump tax.
3. The processing of existing balancing accounts (i.e. authorization of a surcharge or a surcredit to dispose of balances) shall be determined as a early priority, interim decision in the OIR.

Res. W-4294 ordered the Water Division to prepare an OIR to determine whether new procedures or policies for the processing of balancing accounts should be made. In the meantime, effective the date of the resolution (November 29, 2001), water utilities are to suspend the balancing account for each offsettable expense, the processing of which to be determined as an early priority, interim decision in the OIR. In view of this, the Division recommends that BWC be authorized to recover the undercollection in its purchased power balancing account as of November 29, 2001, which is \$63,469. BWC's purchased power balancing account was zero on January 1, 2001, therefore, the undercollection balance as of November 29, 2001, reflects what has accumulated in the recent past, within twelve months of its authorized general rate increase pursuant to Res. W-4310, dated January 9, 2002. With the addition of the offset authorized in this resolution, BWC will have been granted a total general rate increase of 18%. This is a clear indication that BWC was not over earning its authorized rate of return during the period when the undercollection was accumulating.

Ordinarily, balancing account under- collections for purchased power are recovered through a surcharge on water use. As stated earlier, BWC is primarily a flat rate system, therefore, the Division recommends that BWC be authorized to

assess a surcharge per customer of \$7.02 per month for five months to recover the undercollection in its balancing account as of November 29, 2001. As ordered in Res. W-4294, all over-/undercollection purchased power entries subsequent to November 29, 2001, must be placed in a separate balancing-type memorandum account, the disposition of which to be determined in the OIR required in Res. W-4294.

**FINDINGS**

1. The Division's Corrected Adopted Quantities (Appendix A) is reasonable and should be adopted.
2. The Division's estimate of an offset increase of \$62,522 to recover increased power costs is reasonable and should be adopted.
3. The Division's estimate of undercollection of \$63,469 in BWC's purchased water balancing account as of November 29, 2001, is reasonable and should be adopted.
4. The rates proposed by the Division (Appendix B) are reasonable and should be adopted.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 for Bakman Water Company, Inc. to file an advice letter incorporating the revised rate schedules attached to this resolution as Appendix B and concurrently cancel its presently effective rate schedules: No. 1, General Metered Service, and No. 2, General Flat Rate Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the day of its filing.

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2. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 6, 2002; the following Commissioners voting favorably thereon:

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WESLEY M. FRANKLIN  
Executive Director

**DRAFT**

**Resolution W-4335**

**June 6, 2002**

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**APPENDIX A**

**Bakman Water Company**

**CORRECTED ADOPTED QUANTITIES**

**(Resolution W-4310)**

**Expenses**

**1.**

Vendor	PG&E
Schedule	A1, A1P, A6P, and A10
Effective Date	June 1, 2001

**Winter Energy Charge**

<b>Avg. Rate per kWh</b>	<b>\$0.12696</b>
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<b>Avg. Power Consumption in kWh</b>	<b>587,401</b>
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<b>Winter Charge</b>	<b>\$ 74,576</b>
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**Summer Energy Charge**

<b>Avg. Rate per kWh</b>	<b>\$0.18176</b>
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<b>Avg. Power Consumption in kWh</b>	<b>\$1,024,810</b>
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<b>Summer Charge</b>	<b>\$186,269</b>
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<b>Total Purchased Power</b>	<b>\$260,845</b>
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<b>2. Purchased Water</b>	<b>None</b>
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<b>3. Ad Valorem Taxes</b>	<b>\$ 12,510</b>
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<b>Composite Tax Rate</b>	<b>1.50841%</b>
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<b>Assessed Value</b>	<b>\$829,350</b>
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<b>4. Water Testing Expense</b>	<b>\$ 3,334</b>
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**APPENDIX B**

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**Bakman Water Company**

**Schedule No. 1**

**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

The area bounded by Olive Avenue, East Kings Canyon Road, Winery Avenue and Fowler Avenue, located approximately 1-1/2 miles east of Fresno, and vicinity, Fresno County.

**RATES**

Quantity Rate:

All water, per 100 cu. ft.....\$0.608 (I)

	<u>Per Meter Per Month</u>	<u>SDWBA Surcharge</u>
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 6.01	\$ 0.49
For 3/4-inch meter.....	6.50	0.74
For 1-inch meter.....	8.64	1.24
For 1-1/2-inch meter.....	12.84	2.47
For 2-inch meter.....	17.27	3.95
For 3-inch meter.....	34.49	7.41
For 4-inch meter.....	48.04	12.35
For 6-inch meter.....	80.89	24.70
For 8-inch meter.....	118.38	39.52
For 10-inch meter.....	144.18	56.81

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.



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**APPENDIX B**

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**Bakman Water Company**

**Schedule No. 1**

**(continued)**

**GENERAL METERED SERVICE**

**SPECIAL CONDITIONS**

1. The established billing cycle for General Metered Service is every two months.
2. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 91-03-065.
3. Due to an undercollection in the purchased power balancing account, a surcharge of \$7.02 per customer per month will be added to the bill five months commencing with the first billing after the effective date of schedule. (N)  
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|  
(N)
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

## APPENDIX B

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Bakman Water Company

Schedule No. 2

**GENERAL FLAT RATE SERVICE****APPLICABILITY**

Applicable to all flat rate water service.

**TERRITORY**

The area bounded by Olive Avenue, East Kings Canyon Road, Winery Avenue and Fowler Avenue, located approximately 1-1/2 miles east of Fresno, and vicinity, Fresno County.

**RATES**

		Per Service Connection Per Month	
		Connection Charge	SDWBA Surcharge
1. For each single-family residential unit, including premises not exceeding 14,000 sq.ft. in area.....	\$17.77	(I)	\$ 1.24
2. For a multiple unit residential unit, including two units and premises.....	25.10		1.48
a. For each additional unit.....	12.54		0.74
3. For each business establishment with one toilet and wash basin and served from a ¾-inch service connection.....	10.98		0.74
4. For each business establishment served from a 1-inch service connection.....	35.41		1.24
5. For a 2-inch service connection to Raintree Nursing Home.....	78.39		3.95
6. For a 4-inch service connection to Easterby School No. 2 (Turner School).....	220.16	(I)	12.35

**APPENDIX B**

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**Bakman Water Company**

**Schedule No. 2**

**(continued)**

**GENERAL FLAT RATE SERVICE**

**SPECIAL CONDITIONS**

1. The above flat rates apply to service connections not larger than one-inch in diameter, except as noted.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the customer so elects, a meter shall be installed at customer's expense and service provided under Schedule No. 1, General Metered Service, effective as of the first day of the next calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
4. The established billing cycle for residential flat rate service is every two months.
5. Due to an undercollection in the purchased power balancing account, a surcharge of \$7.02 per customer per month will be added to the bill for five months commencing with the first billing after the effective date of this schedule. (N)  
|  
(N)
6. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 91-03-065.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.